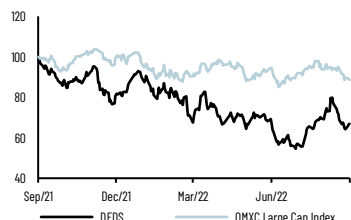


Share information



YTD: -26.3% 1 year: -32.8%
1 month: -2.72% 3-year return: 1.8%

Financials

(DKKm)	2020	2021	2022E*
Revenue	13,971	17,869	~25,000*
Revenue growth	-16%	28%	~40%
EBITDA	2,732	3,411	4,400-4,800*
EBITDA margin	20%	19%	N/A%
Net income	442	976	N/A
Net income margin	3%	5%	N/A
Cash	1,261	902	N/A
Interest-bearing debt	12,622	14,383	N/A

Note: *Mid-range in DFDS' own guidance for 2022

Valuation multiples

	2020	2021	2022E*
P/S (x)	1.2	1.1	0.6*
EV/Sales (x)	2.0	1.9	1.1*
EV/EBITDA (x)	10.1	10.0	6.2*
EV/EBIT (x)	37.1	25.2	N/A
P/E (x)	36.5	21.0	N/A
P/B (x)	1.5	1.8	N/A
P/CF (x)	6.5	6.4	N/A

Note: Multiples for 2020 and 2021 are based on historical numbers.
*Multiples in 2022 are based on mid-range in DFDS' own guidance

Company description

DFDS is a Danish-based ferry and logistics solutions company in Europe. Its business model builds on three core activities, ferry routes, logistics solutions, and contract logistics. The ferry division transports passengers and freight, primarily trailers, across European ferry routes, including the UK and Turkey. The logistics division offers door-to-door transport solutions and contract logistics solutions, including warehousing, last-mile delivery and supply chain management.

Investment case

DFDS shows continued recovery following Covid-19, benefitting from favourable freight ferry and logistics conditions and stronger than expected recovery in its passenger segment.

Its recovery in 2022 has resulted in guidance upgrades to revenue growth of 40%, up from 20%, and EBITDA of DKK 4.4-4.8m, up from DKK 3.9-4.4m. The results are driven by passenger earnings growth, higher than expected freight ferry volumes and earnings, and higher freight ferry/logistics prices to pass on rising energy and other costs. Expectations ahead are for freight and passenger volumes to remain robust for some months as challenged European supply chains have resulted in a backlog that can support demand. However, DFDS acknowledges that weakening economic conditions could see demand deteriorate later in 2022.

DFDS' has a (Win23) strategy towards 2023 to reach an EBITDA of around DKK 5bn, corresponding to a ROIC towards 10%. Win23 will be driven by organic growth, fulfilment of its Mediterranean business plan and acquisitions. Future acquisitions can build on a history of consolidating the industry, particularly within freight, to extend its customer offering (recent acquisitions: HSF Logistics Sep 2021, Lucey Transport Logistics Jul 2022). DFDS may also be supported by its green ambitions, which can provide green solutions for its customers, following its order of 125 eTrucks and its ambitions for a green ferry by 2025.

Key investment reasons

DFDS is recovering well after Covid-19. Passenger numbers and earnings have increased, driven by demand for travel following Covid-19 and can remain strong if the demand for travel continues, with ferry travel being a lower-cost alternative to flying.

Freight ferry earnings have increased, driven by Mediterranean business unit growth as Turkish exports grew and higher North Sea business unit earnings. Logistics earnings also grew as a result of higher activity levels. Its Freight ferry and logistics segments can also remain robust as European supply chains remain challenged.

DFDS has improved its financial leverage, and the company expects NIBD/EBITDA will enter its target range of 2.0-3.0x in H2 2022. The reduced leverage can support future acquisitions as DFDS looks to consolidate within the industry. It also supports shareholder returns as DFDS resumed dividends for 2021, paying DKK 8.00 for 2021, double its 2019 dividend of DKK 4.00 per share.

Key investment risks

DFDS has acknowledged demand could weaken towards the end of 2022 as Europe battles with an energy crisis and rising interest rates that will likely have a negative impact on GDP. A slowdown in demand driven by weaker macroeconomic conditions could negatively impact DFDS' earnings. Weakening demand may also reduce the ability to pass on rising costs to customers.

DFDS faces increasing competition in the English Channel following the entry of a third operator "Irish Ferries" in March 2022. The increased capacity in the Channel (DFDS' third largest business area) shocks supply and may threaten rates and market share.

The war in Ukraine directly impacts DFDS' activities in the Baltic Sea, which has seen the business area's share of EBITDA fall from 14% FY21 to 10% following Q2 22. A continuation of the war can continue to weigh on the business area

Company	Price (local)	Total Return YTD	Market Cap (EURm)	Latest Net Debt (EURm)	EV/EBITDA		P/E		NIBD/EBITDA	
					2022E	2023E	2022E	2023E	2022E	2023E
NTG Nordic Transport Group AS	DKK 252.00	-52.8%	769	105	7x	7x	11.8x	13.5x	0.8x	0.2x
DSV A/S	DKK 1041.00	-31.6%	32,805	3,827	8.9x	10.9x	12.6x	15.5x	0.9x	1.2x
AP Moeller - Maersk A/S	DKK 16,165.00	-23.3%	40,036	3,079	1.2x	2.8x	1.3x	3.5x	-0.4x	-0.9x
Irish Continental Group PLC	EUR 4.37	-1.1%	763	142	8x	7.1x	14.6x	11.5x	1.1x	0.5x
Kuehne und Nagel International AG	CHF 216.70	-23.8%	26,819	-401	5.6x	8.4x	9.7x	16.3x	-0.4x	-0.8x
Average		-26.5%	20,238	1,350	6.1x	7.2x	10x	12.1x	0.4x	0.1x
DFDS AS	DKK 251.40	-26.0%	1,985	1,807	6x	5.8x	7.7x	7.4x	2.8x	2.4x
Premium (+) / Discount (-) to peers					-2%	-20%	-23%	-39%		

Note: Data from 09/09/22

Source: Refinitiv